



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

June 13, 2001

Lori Wrotenberg
Director
Oil Conservation Division

Read & Stevens, Inc.
c/o Holland & Hart LLP and Campbell & Carr
P. O. Box 2208
Santa Fe, New Mexico 87501-2208
Attention: William F. Carr

Telefax No. (505) 983-6043

Administrative Order NSL-4593

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Read & Stevens, Inc. dated May 9, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Read & Stevens, Inc.'s request for an infill gas well to be drilled at an unorthodox location within an existing standard 318.08-acre stand-up gas spacing and proration unit in the South Carlsbad-Morrow Gas Pool comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 4, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico.

This 318.08-acre unit is currently dedicated to Read & Stevens, Inc.'s Crystal Federal Well No. 1 (API No. 30-015-26898), located at an unorthodox gas well location 1150 feet from the South line and 1650 feet from the East line (Unit O) of Section 4.

Rules, regulations, and policies currently governing the South Carlsbad-Morrow Gas Pool include, but are not necessarily limited to, the following:

- (i) the "*Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool*", as promulgated by Division Order No. R-8170, as amended, which includes provisions for 320-acre spacing and requirements for well locations to be no closer than 660 feet to the side boundary nor 1980 feet from the end boundary of the proration unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;
- (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999;

- (iii) Rule 1207.A (2);
- (iv) Division Rule 605.B; and
- (v) Division Order No. R-10328, issued by the New Mexico Oil Conservation Commission in Case 11211 on March 27, 1995, which order suspended gas prorationing in the South Carlsbad-Morrow Gas Pool.

The geologic interpretation submitted with this application, based on 3-D seismic, indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard for the South Carlsbad-Morrow Gas Pool in the NE/4 equivalent of Section 4.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, Division Rule 605.B (2) (b), and the applicable provisions of the special pool rules governing the South Carlsbad-Morrow Gas Pool, the following described well to be drilled at an unorthodox infill Morrow gas well location within this 318.08-acre unit is hereby approved:

Crystal Federal Well No. 2
2375' FNL & 660' FEL (Unit H)
(API No. 30-015-31807).

Read & Stevens, Inc. is hereby authorized to simultaneously dedicate production attributed to the South Carlsbad-Morrow Gas Pool from its existing Crystal Federal Well No. 1 with the proposed Crystal Federal Well No. 2.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad